



Ministry
of
Revenue

George Ashe
Minister

T. M. Russell
Deputy Minister

Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

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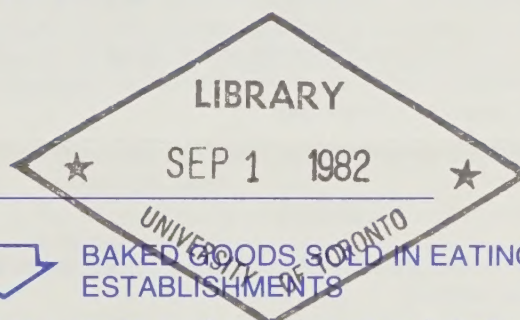
This bulletin provides further clarification on the changes in the Retail Sales Tax Act presented by the Treasurer of Ontario in the Budget of May 13, 1982. It also provides information on technical and administrative changes in the Act.

If you require further information, please contact your local district office listed on the back page of this bulletin.

The details presented in this bulletin are intended only as a guideline. For specific applications you should refer to the Retail Sales Tax Act.

INFORMATION HIGHLIGHTS

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- BAKED GOODS SOLD IN EATING ESTABLISHMENTS
- TAX-INCLUDED PRICING — FOR EATING ESTABLISHMENTS, TAVERNS, VENDING MACHINE AND MOBILE CANTEN OPERATORS
- BARBECUED OR FRIED CHICKEN AND SIMILAR PREPARED FOODS
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SNACK FOODS

Effective May 14, 1982 certain types of snack foods, such as potato chips, popcorn, salted nuts, pretzels, individual servings of ice cream and ice cream bars are subject to tax if their total sales exceed 20¢.

The following items are also considered to be snack foods that are subject to the 7% tax rate when their total sales exceed 20¢:

- granola bars
- individual servings of *pre-packaged* baked goods such as:

snack cakes	doughnuts
cookies	muffins
butter tarts	

Chocolate sold for cooking purposes, unsalted nuts, and ice cream purchased in bulk containers for home consumption continue to be exempt. Bulk quantities of individual servings, packages, etc., do not qualify for exemption.



BAKED GOODS SOLD IN EATING ESTABLISHMENTS

When a person purchases six or more baked goods such as doughnuts, muffins, tarts, etc., or a combination thereof, from an eating establishment, these items are exempt from retail sales tax. This exemption applies regardless of:

- whether or not beverages are purchased with the baked goods;
- where the baked goods are consumed.

Purchases of five or less doughnuts, muffins, or tarts, or a combination thereof, from an eating establishment are subject to tax.

Beverages sold at an eating establishment are always taxable regardless of the tax status of the baked goods.



TAX-INCLUDED PRICING — FOR EATING ESTABLISHMENTS, TAVERNS, VENDING MACHINE AND MOBILE CANTEEN OPERATORS

Vendors in the hospitality industry, such as eating establishments, taverns, vending machine and mobile canteen operators, may adopt tax-included pricing when selling prepared food products or alcoholic beverages, if they wish to do so. In effect, vendors in the hospitality industry can use either of the following methods to collect tax on their sales.

1. Normal Method – Tax Extra

The 7% tax rate on prepared food products and 10% rate on alcoholic beverages may be calculated and shown separately on guest checks or cash register tapes as it has been in the past. Prices are quoted on menus, signs or guest checks on a pre-tax basis under this method.

Examples			
Restaurant		Tavern	
1 ham sandwich	\$2.50	1 beer	\$1.50
7% Tax	.18	10% Tax	.15
Total	\$2.68	Total	\$1.65
Mobile Canteen			
2 coffees	\$0.80		
2 doughnuts	0.60		
	\$1.40		
7% Tax	.10		
Total	\$1.50		

2. New Method – Tax-Included Pricing

This new method permits vendors in the hospitality industry to quote tax-included prices and to calculate the amount of the tax liability on the basis of total tax-included sales multiplied by 7/107ths (for prepared food sales) or by 10/110ths (for alcoholic beverage sales).

A vendor using this method *must* post a sign in a prominent location stating that retail sales tax at the applicable rate is included in the price quoted for taxable items. Failure to post such a sign when using this method of accounting for tax could result in an assessment, as the price quoted will be deemed to be the selling price before tax.

To avoid overpayment of tax, vendors should ensure that non-taxable sales are not included in the calculation for tax liability. In addition, sales of alcoholic beverages must be segregated from sales of prepared food products as the latter is taxed at a lower rate.

Example

A restaurant with \$25,000 tax-included sales of prepared food products in a given month may calculate tax liability by the formula:

$$\begin{aligned} &\text{Total tax-included sales} \times \frac{7}{107} \\ &\$25,000 \times \frac{7}{107} = \$1,635.51 \end{aligned}$$

The \$1,635.51 is the total tax liability in that month.

A vendor selling *both* prepared food products and alcoholic beverages may use one method to account for tax in the 7% rate category, another method to account for tax in the 10% rate category, or tax in both rate categories may be accounted for by using the same method. Once a method is chosen for a particular rate category, it cannot be changed without prior written approval of the Retail Sales Tax Branch.



BARBECUED OR FRIED CHICKEN AND SIMILAR PREPARED FOODS

Grocery stores or meat markets selling hot chicken, pork, ducks, spareribs, pizzas, etc., are considered for that part of their operations to be eating establishments selling prepared food products.

Tax at the 7% rate must be collected on the sale of these items.



MEALS PROVIDED BY EATING ESTABLISHMENTS AND OTHER BUSINESSES TO EMPLOYEES

Meals provided to employees, in the following cases, are not subject to retail sales tax:

- eating establishments providing free meals to their employees;
- companies operating cafeterias on their premises and providing meals to their employees *on an on-going basis* at no charge.

Where a charge is made to employees for the meals, the 7% tax rate applies to the amount charged.

A charge could be made in any of the following ways:

- payroll deduction
- purchase of food tickets
- cash purchase.

Tax is payable when the charge is made.

NOTE: The value of meals shown as a taxable benefit on the employees' income tax T-4 slips is not considered to be a charge made for meals.

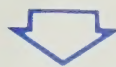


HOTELS, RESORTS AND CAMPS — ACCOMMODATION AND MEALS PROVIDED TO EMPLOYEES

Where an establishment, such as a hotel, resort or a summer camp provides accommodation and meals to employees without charge as part of the employer-employee relationship, no tax is payable by the employer on the accommodation and meals. It should be noted that the value of accommodation and meals shown as a taxable benefit on the employees' income tax T-4 slips is not considered to be a charge made for accommodation and meals.

If employees are charged for accommodation and meals, whether or not the charge represents the full value of the accommodation and meals, tax is payable by the employees on the charge as follows:

- 1) Where the accommodation provided is *more than* one month:
 - the 7% rate on the charge for meals which must be segregated. (No tax applicable on the charge for accommodation, as accommodation provided in excess of a month is not transient accommodation.)
- 2) Where the accommodation provided is *less than* a month:
 - the 5% rate on the total charge for accommodation and meals.



CAMPS

Commercial Camps

To simplify the collection of tax and allow for non-taxable services provided at these camps, such as instruction from counsellors, use of recreational facilities, etc., camp operators will apply tax as follows:

- 1) Where the accommodation provided is *less than* one month:
 - the 5% rate on 60% of the total charge for meals and accommodation. (This is in effect 3% on the total charge.)
- 2) Where the accommodation provided is *more than* one month:
 - the 7% rate on the amount segregated for meals and tax does not apply on the balance; or
 - the 5% rate on 60% of the total charge (or 3% of the total charge) if no segregation is made.
- 3) Where a separate charge is made for the use of recreational equipment:
 - the 7% rate on the charge.

Religious and Charitable Camps

Where a camp is operated by a religious or charitable organization for disadvantaged persons (handicapped, indigent, welfare recipients, etc.) no tax will be applicable on the charge for meals and accommodation.

Charges for all other camps are subject to tax.



FUND RAISING EVENTS — RELIGIOUS, CHARITABLE, BENEVOLENT AND NON-PROFIT ORGANIZATIONS

An amendment to the Retail Sales Tax Regulations enables religious, charitable, benevolent and non-profit organizations to sell taxable goods at fund raising events without collecting tax if:

- the number of fund raising events held per year is reasonable; and
- the taxable sales at these events are not more than \$75,000 per year.

Tax is required to be paid on taxable goods *other than* prepared food products purchased for sale at any of the events.

The exemption will not apply in the following cases:

- When the organization holds regularly scheduled weekly or monthly fund raising events;
- When the organization is acting as a caterer, providing prepared food for weddings, club dinners, etc.;
- When the organization is selling prepared food in direct competition with a commercial operator on the same site, such as at a fair or exhibition.

In these cases, the organization is required to collect tax on such sales but may purchase the goods for resale exempt from tax.



MAGAZINES

The definition of magazines in the Regulations is amended to reflect the following:

- magazines are bound, printed publications;
- issued at least once a year; and
- usually contain advertising, illustrations and articles written by various authors.

Sales of magazines are taxable except for magazines that are:

- purchased by subscription;
- distributed free (commonly known in the trade as "controlled distribution");
- issued free at theatres, sports and cultural events, often containing a bound program;
- distributed in-house to employees, shareholders;
- provided free to the general public.



DISCOUNT COUPONS

Retailers, restaurants, manufacturers, and other types of businesses distribute a variety of discount coupons in promoting their sales. These coupons may be grouped into three main categories:

- 1) store and restaurant discount coupons
- 2) manufacturers' discount coupons
- 3) money coupons

In the past, all of these have been considered to be part payment tendered for the goods purchased for retail sales tax purposes. Vendors were required to collect retail sales tax on the gross selling price before deducting the face value of the coupon presented for redemption.

Effective immediately, store and restaurant discount coupons (item 1 above) are to be treated as a discount and deducted from the purchase price before calculating retail sales tax. Tax continues to apply on the gross selling price of goods purchased with manufacturers' discount coupons or money coupons (items 2 and 3 above). The existing Ruling number 7 will be revised to reflect this change in the tax treatment of store and restaurant discount coupons.



SALES TAX GUIDES

The existing sales tax guides are being updated to take into account recent changes in the Retail Sales Tax Act and administrative policies.

Tax guides will soon be available on the following subject matters:

- Do You Need A Retail Sales Tax Vendor Permit?
- Vendor Rights and Responsibilities
- Purchase Exemption Certificates
- Penalties and Interest
- Retail Sales Tax Refunds
- Rentals and Leases
- Animals and Pets
- Florists and Nurseries
- Flea Markets
- Books and Magazines

The Ministry of Revenue will continue to add new guides and update earlier guides as necessary.

Contact your local Retail Sales Tax District Office to obtain any of these guides.

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA,
AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108 Zenith 71820	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587 Zenith 71830	TORONTO M4P 1H6	2300 Yonge St. 10th Floor 487-1361 Zenith 71800
HAMILTON L8N 3Z9	119 King Street West P.O. Box 2112 521-7504 Zenith 71440	OTTAWA K1H 8K7	1355 Bank Street 523-9760 Zenith 71400	WELLAND L3B 3Z7	76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368 Zenith 71410
KITCHENER N2M 1N2	449 Belmont Ave. W. 576-8400 Zenith 71020	SUDBURY P3E 5P9	Ontario Gov't. Building 199 Larch St. 675-4351 Zenith 71850	WINDSOR N9A 6V9	250 Windsor Ave. 252-4404 Zenith 71450
LONDON N6C 4P4	310 Wellington Rd. S. 433-3901 Zenith 62350	THUNDER BAY P7C 5G6	435 James Street South P.O. Box 5000 Ontario Government Bldg. 475-1681 Zenith 72310		
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900 Toll Free 1-800-461-1564				